



REPORT

OF THE

Indian Tariff Board

ON THE

BICYCLES INDUSTRY

सत्यमेव जयते



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TABLE OF CONTENTS .

| PARA. | | PAGE. |
|--------------|--|-------|
| 1. | Reference to the Board | 1 |
| 2. | Terms of reference | 1 |
| 3. | Method of inquiry | 2 |
| 4. | History of the industry | 2 |
| 5. | Uses | 2 |
| 6. | Imports | 3 |
| 7. | Estimated Indian demand | 3 |
| 8—9. | Domestic production | 4 |
| 10. | Quality of the indigenous product | 5 |
| 11—13. | Raw materials | 5 |
| 14—15. | Board's estimate of the cost of production and fair selling price | 6 |
| 16. | Existing duty | 8 |
| 17. | Landed cost | 8 |
| 18. | Measure of protection | 9 |
| 19. | Import of cheaper and reconditioned cycles | 9 |
| 20. | Customs classification | 10 |
| 21. | Duty on raw materials and machinery | 11 |
| 22. | Government patronage | 11 |
| 23. | Eligibility for protection | 11 |
| 24. | Summary | 12 |
| 25. | Acknowledgements | 13 |
| APPENDIX I | .. List of firms or bodies to which questionnaire was issued .. | 14 |
| APPENDIX II | .. List of firms or bodies which answered the questionnaire .. | 16 |
| APPENDIX III | .. List of witnesses examined by the Board .. | 17 |
| APPENDIX IV | .. Statement showing the quantity and value of cycles, entire or in sections and the value of parts of cycles and accessories (excluding tyres) imported into India since 1936-37 .. | 18 |
| APPENDIX V | .. Summary of specifications of special steel required .. | 19 |

PERSONNEL OF THE BOARD

SIR R. K. SHANMUKHAM CHETTY, K.C.I.E.—PRESIDENT.

MR. C. C. DESAI, C.I.E., I.C.S.—MEMBER-SECRETARY.

DR. NAZIR AHMAD, O.B.E.—MEMBER.

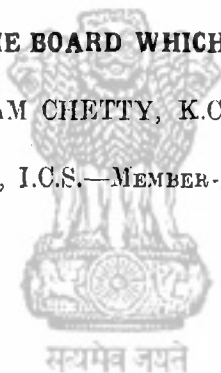
DR. H. L. DEY, D.Sc. (LOND.)—MEMBER.

**RAI SAHIB S. C. AGGARWAL, B.A. (HONS.), DIPL. MIN. ENG. (LEEDS),
F.G.S. (LONDON)—DEPUTY SECRETARY.**

PERSONNEL OF THE BOARD WHICH HEARD THIS CASE

SIR R. K. SHANMUKHAM CHETTY, K.C.I.E.—PRESIDENT.

MR. C. C. DESAI, C.I.E., I.C.S.—MEMBER-SECRETARY.



REPORT ON THE BICYCLES INDUSTRY

1. An application for the protection of the bicycles industry was made to the Commerce Department, Government of India, by the Cycle Manufacturers' Association, Calcutta, on the 28th December 1945, on behalf of its members, viz., (a) the Hindustan Bicycle Manufacturing and Industrial Corporation Ltd., Patna, (b) Hind Cycles Ltd., Bombay, and (c) the India Cycle Manufacturing Co., Ltd., Calcutta. The application of the industry was referred to the Indian Tariff Board for investigation by the Government of India (Department of Commerce), in their resolution No. 218-T (55)/45, dated the 4th May 1946.

2. The terms of reference to the Board are contained in the Resolution of the Government of India, Department of Commerce, No. 218-T (55)/45, dated the 3rd November 1945, and are as follows :—

“In the case of each industry the Board will, after such examination as it considers necessary, report whether the industry satisfies the following conditions :—

- (1) that it is established and conducted on sound business lines ; and
- (2) (a) that, having regard to the natural or economic advantages enjoyed by the industry and its actual or probable costs, it is likely within a reasonable time to develop sufficiently to be able to carry on successfully without protection or State assistance ; or
- (b) that it is an industry to which it is desirable in the national interest to grant protection or assistance and that the probable cost of such protection or assistance to the community is not excessive.

Where a claim to protection or assistance is found to be established, i.e., if condition (1) and condition (2) (a) or (b) are satisfied, the Board will recommend—

- (i) whether, at what rate and in respect of what articles, or class or description of articles, a protective duty should be imposed ;
- (ii) what additional or alternative measures should be taken to protect or assist the industry ; and
- (iii) for what period, not exceeding three years, the tariff or other measures recommended should remain in force.

In making its recommendations the Board will give due weight to the interests of the consumer in the light of the prevailing conditions and also consider how the recommendations affect industries using the articles in respect of which protection is to be granted. Since relief to be effective, should be afforded without delay, the Board is requested to complete its inquiries with all possible expedition and to submit a report as soon as the investigation of the claim of each industry is concluded.”

3. On the 27th June 1946 the Board issued a press communiqué inviting associations, firms or persons including producers, importers and consumers, directly interested in this industry or dependent upon it for their raw materials, who wished their views to be considered, to submit their representations. The Board also issued a detailed questionnaire. A list of persons or associations or firms to whom the questionnaire was issued and from whom replies or memoranda were received will be found in Appendix I and Appendix II respectively. The Hind Cycles, Bombay, was visited by the President of the Board, Sir R. K. Shanmukham Chetty, accompanied by the Member-Secretary, Mr. C. C. Desai, and the Deputy Secretary on the 10th November 1946. The Hindustan Bicycle Factory at Patna was visited by Mr. C. C. Desai, Member-Secretary, on the 16th October 1946. The India Cycle Manufacturing Co., Ltd., Calcutta, was visited by the Member-Secretary, Mr. C. C. Desai, and Dr. H. L. Dey, accompanied by the Technical Adviser on the 7th August 1946. The Cost Accounts Officer attached to the Board accompanied by the Technical Adviser visited the Hind Cycles Ltd., Bombay, and the Hindustan Bicycle Manufacturing and Industrial Corporation Ltd., Patna, on the 16th September 1946 and the 17th October 1946 respectively for cost-accounting these firms. Oral evidence of producers, consumers and importers was taken at Bombay on the 12th November 1946. A list of the witnesses examined is appended. (Appendix III).

4. In 1938 the India Cycle Manufacturing Co., Ltd., Calcutta, had placed orders for cycle-manufacturing machinery in Germany. Before all the machines could be delivered, the war broke out, and the company had to alter its original programme and took to the manufacture of certain accessories and component parts of bicycles instead of complete cycles. The products of this company include bells, lamps, carriers, pedals, etc. The Hindustan Bicycle Manufacturing and Industrial Corporation, Ltd., was registered as a public limited company at Patna in the year 1939, and the Hind Cycles Ltd., was registered at Bombay in the same year. The works of the Hind Cycles Ltd., are situated at Worli in Bombay. This company commenced production in November 1941, and the Hindustan Bicycle Manufacturing and Industrial Corporation commenced production in 1942. Both these companies manufacture complete bicycles and make in their own factories all the parts except freewheels, chains, ball bearings and spokes, which are imported from abroad. The Hindustan Bicycle Manufacturing and Industrial Corporation has started manufacturing spokes and is making experiments for the manufacture of freewheels. The Indian cycle industry, although originally planned to produce bicycles for civil consumption, had to switch over to war production for defence purposes at the outbreak of the war. In 1942-43, when the shipping situation was very critical, the Indian cycle manufacturers undertook to meet the requirements of Government and supplied to the various Government departments more than 50,000 bicycles during the war. Apart from this, the industry also made a contribution for the defence purposes by producing certain articles like strike gear clip (part of a bomb), smoke box for containers and mine contact frames, bottom caps, fuse percussions, G. I. buttons, hospital and Red Cross equipments, etc. The subscribed capital of the Hindustan Bicycle Manufacturing and Industrial Corporation is Rs. 12,50,000, of the Hind Cycles Rs. 15,00,000, and of the India Cycle Manufacturing Co., Rs. 3,21,560. The industry at present employs about 2,000 workers.

5. The bicycle provides a speedy, comfortable and cheap conveyance, both in cities and in rural areas. It is a conveyance which is within the reach of the class of people who cannot afford the more costly conveyances like motor cars or horse

Uses.

carriages. Cycles are used by both men and women, and tricycles are manufactured for children. Besides these, cycle rickshaws are now becoming common in some of the cities. Cycles of a special construction are used for purposes of delivering goods by grocers, bakers, milkmen, newspaper-vendors, etc.

6. Appendix IV contains statistics showing the quantity and value of cycles imported entire or in sections as also the value of parts and accessories excluding rubber tyres imported into

Imports. India since 1936-37. The imports were mainly from the United Kingdom, Japan and Germany. Competition from Japan and Germany can now be discounted, and the only country from which imports are likely to come in the near future is the United Kingdom. It will be found that the highest prewar import was in the year 1937-38. Over 1,70,000 cycles were imported in that year, entire or in sections. Representatives of cycle importers told us that in addition to the import of cycles, entire or in sections, cycle frames are imported in large quantities and these are assembled into entire cycles in India. The imports of these frames are included in the Customs return in parts of cycles and accessories. If this factor is also taken into consideration, the actual import of entire cycles into India should be increased by another 30,000 units, thereby making the total imports for the year 1937-38 approximately 2,00,000 cycles. The import figures also reveal that the value of parts and accessories imported invariably exceeded the value of cycles imported entire or in sections.

7. During the war years the number of cycles imported into India was progressively on the decline. The output of the Indian manufacturers was on a very small scale. The normal demand therefore has not been met by adequate supplies during the last six years. The total demand in the country has also considerably increased as compared with the normal prewar demand. The use of cycles has now become more extensive. Taking these factors into consideration we estimate that for the next three years the annual demand will be more than 6,00,000 cycles per year. According to figures prepared by the British Cycle and Motor Cycle Manufacturers and Traders Union, India, has the lowest number of cycles in proportion to population of any country in the world with the exception of China. Out of the 70 million pedal cycles in the world, India is estimated to have only 1,50,000. The following table gives interesting information about the number of bicycles in use in some countries and the number per thousand of population :—

| Country | No. of cycles in use | No. of cycles per 1,000 of population |
|-----------------|----------------------|---------------------------------------|
| Britain | 12,000,000 | 255 |
| U.S.A. | 10,000,000 | 74 |
| France | 10,000,000 | 238 |
| Holland | 4,000,000 | 463 |
| Denmark | 2,000,000 | 539 |
| INDIA | 1,500,000 | 3.85 |

In view of the low initial cost and the cheapness of running a bicycle, there is a very substantial untapped market for bicycles in India waiting for enterprising Indian industrialists to supply.

8. According to the information given by the manufacturers, the rated capacity of the Hind Cycles is 60,000 cycles per annum, and of the Hindustan Bicycle Manufacturing and Industrial Corporation 35,000 cycles per annum. India Cycle Manufacturing Co., has the capacity to produce spares and accessories of the value of approximately Rs. 3,50,000 per annum. The rated capacity of the manufacturers has not been realised in actual practice in full. In 1945 the actual production of the Hind Cycles was 25,000 cycles, and of the Hindustan 19,000 cycles. In estimating future cost the Board has assumed that in 1947 the Hind Cycles will produce 40,000 cycles and the Hindustan 25,000 cycles, and in 1948 the Hind Cycles will produce 60,000 cycles and Hindustan 35,000 cycles. The two manufacturers have assured the Board that they have placed or will be placing in the near future orders for additional plant and machinery which will enable them to produce from 1949 onwards 1,50,000 cycles per annum in the case of Hind and 1,00,000 cycles in the case of Hindustan.

9. In comparing the total estimated demand in the country for cycles with the capacity of the Indian manufacturer to supply that demand, one important factor should be borne in mind. As has been indicated already, the import figures reveal that the value of the parts and accessories imported every year invariably exceeds the value of cycles imported entire or in sections. In estimating the demand for cycles in India, account should therefore be taken of the demand not merely in complete cycles but for accessories and parts of cycles. In the estimates given in the previous paragraph about the productive capacity of the Indian manufacturers, the total output has been expressed in terms of entire cycles. In other words, the statement that the Hind Cycles Co., expects to manufacture 40,000 cycles in 1947 means that the Company will produce complete cycles and parts of cycles the combined value of which will be the equivalent of 40,000 complete cycles. In actual practice the cycles that they would be in a position to market as complete cycles would be very much less than 40,000 cycles. The same observations would apply to the supply position of the Indian manufacturers from 1949 onwards. From that year the Indian manufacturers will be able to supply the Indian market with entire cycles and parts of cycles aggregating in terms of money to the value of 2,50,000 cycles. A correct picture about the capacity of the Indian manufacturers to supply the bicycle market in India can be obtained by considering the demand both for cycles complete and for parts and accessories. The total value of the imports of complete cycles and parts and accessories in 1937-38 was Rs. 1,18,54,000. The average value of a unit of bicycle in that year was about Rs. 33. On the basis of the present value of imported cycles, the present day value of the same import will be about Rs. 3,55,62,000. The total demand according to our estimate will be three times the prewar demand. On this basis the total value of all cycles and spare parts and accessories which will be absorbed in the Indian market annually will be worth more than Rs. 10 crores. As against this estimated demand, the two Indian companies will supply in 1947 products worth about Rs. 65 lakhs, in 1948 products worth about Rs. 95 lakhs, and in 1949 products worth about Rs. 2½ crores. These figures show the great possibility for expansion that lies before the cycle industry in India.

10. While the manufacturers claim that their products are equal to the imported products in respect of quality and appearance, this claim was vigorously challenged by the representatives of the importing interests. Some of the importers went to the extent of stating that the average consumer would, if he has any choice in the matter, have nothing to do with the indigenous products. The opinion expressed by the Director-General of Industries and Supplies, Government of India, in his memorandum given to the Board represents a fairer view regarding the question of quality. According to him, "the quality of the indigenous cycle is passable but is inferior to the best foreign make such as Raleigh or B.S.A. This is due to the fact that although the indigenous manufacture is fairly well organised, yet enough attention is not paid to metallurgical and heat treatment side of the components manufactured and the labour is not so skilled as in U.K. The wearing qualities of the moving parts leave much to be desired." The poor quality of the indigenous product is mainly due to two factors (a) the raw materials used are not of proper specifications and (b) sufficient attention is not being paid towards the maintenance of the accuracy of tools, dies and gauges. A Tooling Department together with a proper metallurgical control performs a most important function in an engineering industry of this kind. There is no reason why the quality of the Indian bicycles should not improve very considerably if a proper system of inspection of tools, dies and gauges and a strict check on the accuracy and interchangeability of the components by means of gauges is introduced along with proper heat treatment for the wearing components. With the co-operation of the steel manufacturers it should also be possible to obtain the raw materials of proper specifications. These defects and handicaps, to which both the manufacturers are alive, are not irremediable and we have reasons to believe that the manufacturers are contemplating steps which will enable them to turn out products of comparable quality under the shelter of protection during the initial period of say three to five years.

11. The raw materials required for the cycle industry are :—

(a) Steel—steel tubes or steel strips for making tubes, steel sheets, steel bars, mild steel and spring steel wires.

(b) Ready components—free wheels, chains, steel balls and spokes.

(c) Rubber parts—tubes, tyres, handlegrips, pedal rubbers and brake rubbers.

(d) Consumable stores—high-speed steel, die-steel, nickel anodes, colouring, brazing and electroplating materials.

(e) Accessories—lamp, carrier, stand, bell, pump, tool bag and reflector.

12. Except mild steel and spring steel wires, the other categories of steel are not available at present in India. During the public inquiry the question of the supply of steel of the correct specification to the cycle industry was discussed with the representatives of the Tata Iron & Steel Company, Ltd. It was brought out in the discussions that except cold-rolled steel strips required for making tubes and the

strips for the manufacture of rims, all the other requirements for steel could be manufactured out of Indian steel produced either by the Tata Iron & Steel Company, Ltd., or by the Indian Steel Wire Products or by any Steel Works with electric furnace. The manufacture of strips requires a cold reducing unit which does not exist at present in India. We are told that the installation of a mill for the manufacture of strips is under consideration by the Tata Iron & Steel Co., Ltd. In Appendix V will be found a summary of specifications of the special steel required by the cycle industry and the names of the Indian manufacturers of steel who can supply the same. We are told that the supply of steel is subject to control and that the Steel Controller should give special facilities for the manufacture and supply by Indian manufacturers of the steel required by the cycle industry. We recommend that the Steel Controller should give the necessary permission and afford the facilities required for the purpose.

13. Out of the other raw materials, free wheels, chains, steel balls, brazing and electro-plating materials, nickel anodes and reflectors have to be imported. Some of the high-speed steel and die-steel would be manufactured in India, and the rest will have to be imported. Spokes, tubes, tyres, handle-grips, pedal and brake rubbers, lamps, carriers and stands, bells and pumps are manufactured in India. The approximate gross quantity of steel required per cycle including saddle parts is 47 lbs.

14. The books of the Hind Cycles Ltd., and the Hindustan Corporation were examined by a Cost Accounts Officer attached to the Board. It is rather difficult to arrive at a very accurate estimate of the cost of production of a complete bicycle. A cycle consists of about 150 parts grouped into several assemblies and the process of manufacture includes about a thousand operations. Neither of the two Companies maintains any cost accounts or data showing the allocation of labour and materials from which the cost of production of individual components or assemblies could be worked out. Both the Companies manufacture cycle components and parts on a large scale and sell them either as components or as complete cycles according to market demands and prices. In view of the fact that individual parts are made and sold in large numbers in addition to complete cycles, the numbers of the different parts actually manufactured by the Companies are not balanced. For example in 1945 one Company manufactured about 16,500 frames and 19,500 forks as against 52,000 mud-guards. This factor presents a difficult problem in cost accounting. In the absence of separate cost data for each part, all the parts manufactured have to be equated to a definite number of full cycles for ascertaining the cost of a cycle. This method of arriving at the cost of a cycle was verified by the Cost Accounts Officer by applying all possible cross-checks in consultation with the Technical Adviser of the Board. In the light of the cost figures thus arrived at by the Cost Accounts Officer and with certain modifications made by us during the public inquiry, the Board estimates the cost of production and the fair selling price of a cycle for the Indian manufacturer in the years 1947 and 1948 as follows :—

*Board's Estimate of the Fair Selling Price of a Cycle manufactured in India
in the years 1947 and 1948*

| Items | | | | 1947 | 1948 |
|---|----|----|----|---------------|---------------|
| Production assumed | | | | 40,000 cycles | 60,000 cycles |
| | | | | Amount Rs. | Amount Rs. |
| 1. Materials :— | | | | | |
| (a) Steel and brass items | .. | .. | .. | 14·246 | 14·246 |
| (b) Other materials | .. | .. | .. | 2·503 | 2·503 |
| (c) Ready parts purchased | .. | .. | .. | 24·318 | 24·318 |
| Total | | | | 41·067 | 41·067 |
| 2. Power and fuel | .. | .. | .. | 1·705 | 1·705 |
| 3. Labour | .. | .. | .. | 15·248 | 15·248 |
| 4. Repairs and maintenance (labour only) | .. | .. | .. | 0·719 | 0·479 |
| 5. Consumable stores | .. | .. | .. | 7·282 | 7·282 |
| 6. Establishment | .. | .. | .. | 7·525 | 5·017 |
| 7. Depreciation (at statutory rates) | .. | .. | .. | 3·559 | 2·373 |
| 8. Other overheads | .. | .. | .. | 5·786 | 4·523 |
| 9. Packing charges | .. | .. | .. | 3·946 | 3·500 |
| 10. Allowance for selling expenses | .. | .. | .. | 1·500 | 1·500 |
| 11. Allowance for railway freight | .. | .. | .. | 1·500 | 1·500 |
| 12. Interest on working capital (Rs. 11 lakhs for 1947 and Rs. 16 lakhs for 1948). | | | | 1·100 | 1·066 |
| Total | | | | 90·937 | 85·260 |
| 13. Credit for scrap | .. | .. | .. | 0·366 | 0·366 |
| Total cost of production | | | | 90·571 | 84·894 |
| Profit at 10% on fixed capital of Rs. 16·9 lakhs | | | | 4·225 | 2·816 |
| ∴ Fair selling price | | | | 94·796 | 87·710 |
| | | | | or | or |
| In round figures | | | | Rs. 95 | Rs. 88 |

15. For the purpose of calculating the fair-selling price, the Board has assumed a production equivalent in value to that of 40,000 cycles in 1947 and 60,000 in 1948. This is well within the productive capacity of one of the factories. Though the productive capacity of the other factory is somewhat less than these figures, we think that, for the purpose of arriving at a fair-selling price for the Indian cycle manufacturer, the basis of output that we have assumed is a reasonable one. It will be found that the Board's estimate of the fair selling price of a bicycle in 1947 is Rs. 95 and in 1948 Rs. 88. On the basis of the increased output expected from 1949 onwards, as explained in paragraph 8, the cost of production and the fair selling price must come down still further. In our estimate we have allowed Rs. 90,000 for advertisement and Rs. 60,000 for selling expenses in 1947 and Rs. 1,10,000 for advertisement and Rs. 90,000 for selling expenses in 1948. These allowances are on the liberal side and we have deliberately done so because in view of the prejudice that exists in the public mind against the Indian product, advertisement will have to be resorted to on a large scale. In addition to these, we have also allowed in our estimate Rs. 54,400 for research in 1947 and Rs. 74,400 under the same item for 1948. What the Indian manufacturer has to contend against in the near future will be the improved quality of the imported cycle. We are told that foreign manufacturers are contemplating the incorporation of many improved features which will make the imported cycle very attractive to the user. If the Indian manufacturer is to face this competition, he must also spend a considerable amount in research with a view to effecting all round improvements. We attach great importance to expenditure on research in the case of an industry like the cycle industry. It should be made a condition of the grant of protection that the cycle industry should actually spend or set apart specified amounts for research. In other words, an obligation must be imposed on the Indian manufacturers that in the year 1947 they should each actually spend or set apart in a separate fund a sum of not less than Rs. 50,000 for research and a corresponding sum of Rs. 70,000 in the year 1948. We are recommending this procedure so that the manufacturers may not be tempted to fritter away their profits in the distribution of large dividends.

16. There is at present a revenue duty on cycles and parts and accessories of cycles. The rate of duty is found in item 75 (5) of the first schedule of the Tariff Act. The standard rate of duty is 36 per cent. *ad valorem*. The British preferential rate is 24 per cent. and the rate applicable to imports from Burma 12 per cent. Since the future imports will be practically from the United Kingdom, the duty of 24 per cent. *ad valorem* may be considered to be the effective duty in operation.

17. From the information that we have been able to obtain from various sources, the landed cost of three well-known makes of cycles is as follows :

Landed cost of Standard Gents' Bicycle 24" frame without any accessories

| | Raleigh Bicycle | Heracles Bicycle | Rudge Whitworth Bicycle |
|------------------------------------|--------------------|---------------------|----------------------------|
| | Rs. a. p. | Rs. a. p. | Rs. a. p. |
| C.i.f. price | 87 10 0 | 91 10 0 | 89 10 0 |
| Customs duty at 24 per cent. | 21 1 0 | 22 0 0 | 21 10 0 |
| Clearing and other charges | 0 12 0 | 0 12 0 | 0 12 0 |
| Total landed cost | 109 7 0 | 114 6 0 | 112 0 0 |

The pre-war landed cost of a Raleigh bicycle was Rs. 50-3-0, of a Hercules bicycle Rs. 37-7-0, and of a Rudge Whitworth bicycle Rs. 43-11-0. The present day retail selling price of Raleigh and Hercules is about Rs. 135 and of Rudge Whitworth about Rs. 125.

18. A comparison of the fair selling price for the Indian manufacturer as indicated in paragraph 14 with the landed cost will show that the existing duty of 24 per cent. *ad valorem* protects the Indian manufacturer, and in fact gives him a marginal advantage in price. No increase in the existing rate of duty is therefore called for. The Indian manufacturer should, however, be protected against any considerable fall in the landed cost of the imported cycle and he should also be assured that for a definite period he would be placed in a position which will enable him to compete successfully with the imported article. All the importers are unanimous in their opinion that there is no likelihood of any fall in the price of the imported cycles, but on the contrary there would in all likelihood be a tendency for the price to go up. Notwithstanding this opinion, the Indian manufacturer must be protected against the tendency for a fall in the price of the imported cycles. In fixing the minimum landed cost for the imported cycle, account should be taken of the prejudice that exists in the minds of the public against the Indian-made bicycles. To overcome this prejudice, the Indian manufacturer should be given a margin over and above his fair selling price of about Rs. 14 in 1947 and Rs. 12 in 1948. From the figures of landed cost given in the previous paragraph, it will be found that the lowest landed cost of an imported bicycle is Rs. 109-7-0. We recommend that the existing *ad valorem* duty of 24 per cent. should be converted into a protective duty at the same rate to remain in force till the 31st March 1949. If the total landed cost of an imported bicycle inclusive of duty goes below Rs. 109 during the period ending 31st March 1948 and goes below Rs. 100 during the period from the 1st April 1948 to 31st March 1949, action should be taken under section 4 (1) of the Indian Tariff Act of 1934 to raise the duty so as to make the landed cost of a bicycle Rs. 109 during the first period and Rs. 100 during the second period. Our recommendations, if accepted, will give the Indian manufacturers a price advantage of about Rs. 14 per bicycle during the first period and Rs. 12 per bicycle during the second period. This, in our opinion, is absolutely necessary to enable the Indian manufacturers to overcome the prejudice and establish themselves in the home market. Once this position is brought about, the need for any price preference will disappear, the benefit thereof accruing to the consumers in future. Whatever rate of duty is applicable to cycles must also apply to imported parts and accessories of cycles excluding rubber tyres and tubes. While the same duty will apply to all cycles regardless of size or type, the fair selling price and the landed cost figures have been given in respect of standard gents' 24" cycles without any accessories. In view of our observations in paragraph 19, there is no need for the application of section 4 (1) of the Tariff Act of 1934 immediately; the question of such application will be governed by the circumstances referred to in paragraph 19.

19. (a) It has been brought to our notice that a few consignments of cycles which should be considered to be inferior in quality as compared with the well-known makes, such as Raleigh, B.S.A. of the imported cycles and Hind and Hindustan of the Indian cycles, have been imported recently at a landed cost, inclusive of duty, of Rs. 95-9-0 per cycle. We have, however, been informed that there is not much likelihood of cycles of this quality being imported on a large

scale or their competing with cycles of standard make and quality. In view of this we have not taken the landed cost of these inferior qualities of cycles as the basis for our recommendation regarding the rate of duty. If, however, it is proved that these cheaper cycles are being imported on a considerable scale, the position will have to be re-examined. The demand for cycles in the Indian market is so great that the supply position, taking into account both the possible volume of imports and home production, is not likely to be such as to meet the demand completely. There is, therefore, no justification for basing the landed cost for the purposes of duty on the import of small quantities of cheaper cycles, although the position will need to be constantly watched.

(b) It was represented to the Board that quite a large number of reconditioned cycles, the number may go up to as much as 5 lakhs, may be imported in the near future from the United Kingdom. We have considered whether this import will affect the Indian industry and whether the home manufacturer requires any protection against it. We are of the opinion that, regard being had to the starved market for cycles for the wartime period of six years, there should be no difficulty in absorbing the re-conditioned cycles likely to come without in any way affecting the offtake of the indigenous cycles. In a way we think that the import of a large number of re-conditioned cycles should be in the interest of the Indian industry in the long run as these cycles will create a demand which will subsequently be met by the Indian industry when it is firmly established. We have, therefore, no recommendation to make in regard to import of re-conditioned cycles in so far as the protection of the Indian industry is concerned.

20. The Indian manufacturers apprehend that the foreign manufacturers might try to evade the scheme of protection by importing into India parts of bicycles on a large scale at cheap prices and assemble them in the country. It is not possible to provide in advance for all such contingencies. If it is proved that such evasion is taking place, the Indian manufacturers may bring the matter to the attention of the Government of India for re-examination of the scheme of protection. If the Indian manufacturer keeps his cost accounts in a manner which will make it easy for the cost of manufacture of the different parts to be ascertained, it will facilitate such re-examination. To get a correct idea whether any evasion takes place, it would be necessary to know (a) retail prices ruling in the market from time to time, an item which should be watched carefully by the manufacturers, and (b) more details regarding the cycle parts imported. At present in the Tariff Schedule all cycles parts are lumped together and in the statistics of sea-borne trade also, they are treated likewise. If the foreign manufacturers start the practice of sending out parts and assembling them here, there should be an abnormal increase in the import of essential parts like frames and handlebars. With a view to giving a correct picture regarding imports, we suggest that in the Tariff Schedule cycles and spare parts should be shown separately, under the following categories :—

- (a) Cycles (other than motor cycles) imported entire or in sections ;
- (b) Cycle frames ;
- (c) Handlebars for cycles ;
- (d) All other parts and accessories of cycles not otherwise specified (excluding rubber tyres and tubes).

This classification might be observed in the statistics relating to the sea-borne trade of India also.

21. In the representation submitted on behalf of the cycle industry a request was made that the raw materials and ready parts purchased by the cycle manufacturers might be exempted from import duty. Steel, which is an important item in the manufacture, of bicycles is a protected industry and there is a protective duty on steel. There is also the duty on parts of cycles. Normally it is the practice of this Board to recommend either the abolition of duty on raw materials or a rebate on duty where the raw material represents a protected industry. Our Cost Accounts Officer has estimated that the amount of duty that is included in the cost of an Indian cycle is slightly less than Rs. 2 in the case of steel items and Rs. 2 in respect of imported ready parts. The incidence of the import duties on an Indian cycle is therefore Rs. 4. In view of the administrative inconveniences involved, we do not recommend either the abolition of duty or a rebate on duty. The manufacturer is not affected by this decision because we have taken the duty into account in calculating his cost of production and fair selling price. We recommend, however, that the import duty on the machinery imported for the manufacture of cycles and parts thereof should be refunded.

22. We recommend that the bicycles required by the departments of Government, both civil and military, should be purchased from the indigenous manufacturers. Since the Indian-made bicycle does not cost more than the imported bicycle, there is no need for showing any price preference in favour of the indigenous article. The patronage by the Government departments will not merely assure a regular customer to the Indian manufacturers but will also enhance their prestige and thereby help them to overcome to some extent the prejudice that now exists. We understand that apart from bulk supplies made to the different departments of Government by the Industries and Supplies Department, offices of Government are at liberty to make direct purchases up to a stated value. The operation of this exception may result in the purchase of foreign cycles by some of the offices concerned. Government should consider the advisability of canalysing all supply of bicycles to Government departments through the same source. This could be achieved by the Industries and Supplies Department making a standing contract with the indigenous manufacturers about the price, and then giving liberty to individual offices to buy their requirements from the indigenous manufacturers at the contract price. The attention of the Provincial Governments also should be drawn to this matter and they should be requested to place indents for their requirements with the indigenous manufacturers.

23. We are satisfied that the Indian bicycle industry satisfies the conditions laid down by Government in the terms of reference detailed in paragraph 2 of this report. The industry is managed by wellknown business firms and are conducted on sound business lines. There is a very large home market for the product. The principal raw materials are either available or can be made available in the country. There is a reasonable prospect of the industry standing on its own legs within a reasonable time. The industry suffers by reason of the inflationary price level prevailing in the country, the higher cost of raw materials, the smallness of the output, higher labour cost in terms of output and insufficient plant and equipment. In spite of these handicaps the industry has already succeeded in manufacturing a cycle at a price which compares favourably with the cost of

production of bicycles in the United Kingdom. The ex-works price of a Rudge Whitworth cycle is, we are told £6-5-9 which is equal to Rs. 83-13-6. This must represent the fair selling price of the British cycle manufacturer. As compared with this, the fair selling price of the Indian manufacturer in 1947 as estimated by us will be Rs. 95 per bicycle. It must however be remembered that this cost includes about Rs. 4 by way of import duties on raw materials and spare parts. If this item is excluded, the fair selling price of the Indian manufacturer in 1947 will be Rs. 91 which is only about Rs. 7 more than the fair selling price of the British manufacturer. In 1948, the fair selling price of the Indian manufacturer after deducting the duty referred to above will be Rs. 84 which is the same as the fair selling price of the British manufacturer. From 1949 onwards, the cost of the Indian manufacturer is expected to go down very considerably. This, to our mind, is a satisfactory position which will warrant the conclusion that in the near future the Indian manufacturer must be in a position to manufacture a cycle at approximately the same cost as a British manufacturer. For all these reasons the Indian cycle industry must be considered to have established a strong case for State assistance.

24. Our conclusions and recommendations are

Summary.

summarised as under :—

(i) The demand for bicycles in India for the next three years is estimated at more than six lakhs of cycles per year (paragraph 7).

(ii) In 1947 the Hind Cycles is expected to produce complete cycles and parts of cycles the combined value of which will be the equivalent of 40,000 complete cycles, the Hindustan the equivalent of 25,000 complete cycles; and in 1948 the Hind Cycles the equivalent of 60,000 complete Cycles and Hindustan the equivalent of 35,000 complete cycles. From 1949 onwards the two companies are expected to produce complete cycles and parts and accessories of cycles the combined value of which will be the equivalent of 2,50,000 complete cycles (paragraphs 8 and 9).

(iii) The quality of the Indian cycle is passable but is inferior to the best foreign makes. There is no reason why the quality of the Indian bicycles should not improve very considerably if a proper system of inspection of tools, dies and gauges and a strict check on the accuracy of the components by means of gauges, are introduced along with proper heat treatment for the wearing components (paragraph 10).

(iv) Except steel strips required for making tubes and rims, all the other requirements for steel could be manufactured by the Indian steel producers. The Steel Controller should give special facilities for the manufacture and supply by the Indian steel manufacturers of the steel required by the cycle industry (paragraph 12).

(v) The Board's estimate of the fair selling price of a bicycle in 1947 is Rs. 95 and in 1948 Rs. 88. From 1949 onwards the cost of production and the fair selling price must come down still further (paragraph 15).

(vi) It should be made a condition of the grant of protection that the cycle industry should actually spend or set apart specified amounts for research (paragraph 15).

(vii) The present day landed cost inclusive of the customs duty of 24 per cent. *ad valorem* is Rs. 109-7-0 for a Raleigh cycle Rs. 114-6-0 for a Hercules cycle and Rs. 112 for a Rudge Whitworth cycle (paragraph 17).

(viii) The existing duty of 24 per cent. *ad valorem* protects the Indian manufacturer and in fact gives him a marginal advantage in price. To overcome the prejudice the Indian manufacturer should be given a margin over and above his fair selling price of Rs. 14 in 1947 and Rs. 12 in 1948 (paragraph 18).

(ix) We recommend that the existing *ad valorem* duty of 24 per cent. should be converted into a protective duty of the same rate to remain in force till the 31st March 1949. If the total landed cost of an imported bicycle inclusive of duty goes below Rs. 109 during the period ending 31st March 1948 and goes below Rs. 100 during the period from the 1st April 1948 to 31st March 1949 action should be taken under section 4 (1) of the Indian Tariff Act of 1934 to raise the duty so as to make the landed cost inclusive of duty of a bicycle Rs. 109 during the first period and Rs. 100 during the second period. The cycle referred to is the standard gents' bicycle with 24 inches frame without any accessories (paragraph 18).

(x) In the Tariff Schedule cycles and spare parts should be shown separately under the categories enumerated in paragraph 20.

(xi) The import duty on the machinery imported for the manufacture of cycles should be refunded (paragraph 21).

(xii) We recommend that the bicycles required by the departments of Government, both civil and military, should be purchased from the indigenous manufacturers (paragraph 22).

(xiii) In the near future the Indian manufacturer of cycles must be in a position to manufacture a cycle at approximately the same cost as a British manufacturer (paragraph 23).

25. The Board wishes to place on record its appreciation of the work done by

Acknowledgements. Mr. P. V. Raghava Rao, the Cost Accounts Officer,
Mr. R. N. Kapur, the Technical Adviser, Mr. Jang Bir Singh
of the Department of Industries and Supplies and
Rai Sahib S. C. Aggarwal, the Deputy Secretary of the Board.

SHANMUKHAM CHETTY—PRESIDENT.

C. C. DESAI—MEMBER-SECRETARY.

S. C. AGGARWAL—DEPUTY SECRETARY.

Bombay, the 29th November 1946.

APPENDIX I

*List of firms or bodies to which questionnaire was issued**A. Manufacturers :—*

1. Hindustan Bicycle Manufacturing & Industrial Corporation, Ltd., Patna, (Complete bicycles.)
2. Hind Cycles Ltd. Bombay (Complete Bicycles).
3. India Cycle Manufacturing Co., Ltd., Calcutta. (Parts and Accessories).
4. Kalsa Cycle Works, Nawanshahr, Jullunder. (Parts and Accessories).
5. Mullic Brothers & Co., Jullunder City. (Parts and Accessories).

B. Importers :—

1. Messrs. English Cycle & Motor Importing Co., 9, Broadway, Madras.
2. Messrs. South India Cycle Importing Co., 78, Broadway, G. T., Madras.
3. Messrs. Bombay Cycle & Motor Agency, Ltd., 16, New Queen's Road, Bombay.
4. Messrs. Rapid Cycle & Motor Co., Ltd., P. O. Box No. 2086, Kalbadevi Road, Bombay 2.
5. Messrs. Wellington Cycle & Motor Co., 313, Hornby Road, Bombay.
6. Messrs. Calcutta Cycle Importing Co., 80/5, Bentinck Street, Calcutta.
7. Messrs. Hashabi & Co., 295, Bow Bazar Street, Calcutta.
8. Messrs. Naraindas & Co., Garden Road, Karachi.
9. Messrs. Royal Cycle & Motor Co., Elphinstone Street, Karachi.
10. Messrs. S. R. Swamy & Co., 18, Venkatramier Street, G. T., Madras.
11. Messrs. Jankidas & Co., Jankidas Building, The Mall, Lahore.
12. The Gramophone Co., Ltd., Bombay.
13. Messrs. Mousell & Co., Ltd., 9, Mathew Road, Bombay.

C. Consumers :—

1. Naraindas & Co., Karachi.
2. Royal Cycle & Motor Co., Karachi.
3. English Cycle & Motor Co., Madras.

4. South India Cycle Importing Co., Madras.
5. Bombay Cycle & Motor Agency, Ltd., Bombay.
6. Poona Wheelers, Poona.
7. Director-General, Posts & Telegraphs, New Delhi.
8. Rapid Cycle & Motor Co., Ltd., Bombay.
9. Wellington Cycle & Motor Co., Ltd., Bombay.
10. Calcutta Cycle Importing Co., Calcutta.
11. Hashabi & Co., Calcutta.

D. Associations :—

1. The Cycle Manufacturers' Association, 102-A, Clive Street, Calcutta.
2. Bombay Cycle Merchants' Association, 503, Kalbadevi Road, Bombay.
3. Poona Cycle Dealers' Association, Poona.
4. The C. P. & Berar Cycle Merchants' Association, Mahal, Nagpur City.
5. Madras Cycle Importers' Association, Broadway, Madras.

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APPENDIX II

List of firms or bodies which answered the questionnaire

A. Manufacturers :—

1. Hindustan Bicycle Manufacturing & Industrial Corporation, Ltd., Patna.
2. Hind Cycles Ltd., Bombay.

B. Importers :—

1. Messrs. English Cycle & Motor Importing Co., 9, Broadway, Madras.
2. Messrs. South India Cycle Importing Co., 78, Broadway, G. T., Madras.
3. Messrs. Wellington Cycle & Motor Co., 313, Hornby Road, Bombay.
4. The Gramophone Co., Ltd., Bombay.
5. Messrs. Mousell & Co., Ltd., 9, Mathew Road, Bombay.

C. Consumers :—

Nil.

D. Associations :—

1. The Cycle Manufacturers' Association, 102-A, Clive Street, Calcutta.
2. Poona Cycle Dealers' Association, Poona.
3. The Bombay Cycle Merchants' Association, 503, Kalbadevi Road, Bombay.
4. The C. P. & Berar Cycle Merchants' Association, Mahal, Nagpur City.
5. Madras Cycle Importers' Association, Broadway, Madras.
6. Upper India Cycle Importers' Association, Cawnpore.
7. Karachi Cycle Dealers' Union, Karachi.
8. Ahmedabad Cycle & Motor Trading Co., Ltd., Ahmedabad.

APPENDIX III

List of witnesses examined by the Board on the 12th November 1946

A. Producers :—

Hind Cycles Ltd., Bombay, represented by Messrs. E. I. Bondy, R. C. Shah and M. G. Vohra.

Hindustan Bicycle Manufacturing & Industrial Corporation, Ltd., Patna, represented by Rai Bahadur S. N. Sahaya, Mr. D. N. Sahaya and Mr. V. P. Misra.

B. Importers :—

The English Cycle and Motor Importing Co., Madras, represented by Mr. R. S. Ramsubba Aiyar.

The Gramophone Co., Ltd., Bombay, represented by Mr. H. C. Lall.

The Wellington Cycle & Motor Co., Bombay, represented by Mr. Rustomji Dorabji.

Messrs. Mousell & Co., Ltd., Bombay, represented by Mr. F. Wolff.

C. Consumers :—

Mr. S. P. Patel, Director of Telegraphs, Bombay, representing the Director-General of Posts & Telegraphs, New Delhi.

D. Stores Suppliers :—

The Dunlop Rubber Co. (India), Ltd., Firestone Tyre & Rubber Co. of India, Ltd., and Goodyear Tyre & Rubber Co. (India), Ltd., represented by Mr. S. E. Ekers.

Messrs. Greaves Cotton & Co., Ltd., Bombay, represented by Mr. D. M. Barucha.

The Tata Iron & Steel Co., Ltd., Bombay, represented by Mr. B. N. Lam and Mr. H. N. Dalal.

The Associated Export & Import Syndicate, Bombay, represented by Mr. M. J. Bhuta.

Associations :—

The Cycle Manufacturers' Association, Calcutta, represented by Messrs. D. N. Sahaya and M. G. Vohra.

The Madras Cycle Importers' Association, Madras, represented by Mr. K. Eswara Aiyar.

The Bombay Cycle Merchants' Association, Bombay, represented by Mr. R. C. Shah.

Also the following witnesses were examined on the 13th November 1946 :—

Store Suppliers :—

Cycle & Automobile Components, Ltd., Calcutta, represented by Mr. M. A. Katrak.

APPENDIX IV

Statement showing the quantity and value of cycles entire or in sections and the value of parts of cycles and accessories (excluding tyres) imported into India since 1936-37

| Year | | | Quantity of cycles | Value of cycles | Value of parts and accessories |
|----------|----|----|--------------------------|-----------------------|--------------------------------------|
| | | | | Rs. | Rs. |
| 1936-37 | .. | .. | 1,59,450 | 45,10,000 | 61,47,000 |
| 1937-38 | .. | .. | 1,70,664 | 55,74,661 | 62,79,646 |
| 1938-39 | .. | .. | 1,38,036 | 48,19,368 | 47,89,335 |
| 1939-40 | .. | .. | 92,249 | 33,29,100 | 41,04,975 |
| 1940-41 | .. | .. | 50,222 | 22,19,179 | 30,14,946 |
| 1941-42 | .. | .. | 54,455 | 26,00,618 | 31,53,804 |
| 1942-43 | .. | .. | 16,134 | 9,73,595 | 17,29,920 |
| 1943-44 | .. | .. | 28,355 | 18,82,365 | 21,16,730 |
| 1944-45 | .. | .. | 37,391 | 25,15,713 | 29,44,265 |
| 1945-46* | .. | .. | 76,141 | 54,77,205 | |

*The figures for 1945-46 are taken from the memorandum submitted by the D. G., I. & S., as the Sea-borne Trade Accounts give only figures for the first nine months beginning from April 1945 which came to 46,859 cycles valued at Rs. 32,28,681 and parts of cycles and accessories (excluding rubber tyres) Rs. 34,77,195.

APPENDIX V

Summary of specifications of special steel required

| Item No. | Description | Name of the Suppliers |
|-------------------------|--|--|
| I. Sheets .. | Deep drawing double pickled hot rolled with cold passes, sheets with perfect uniformity in gauges 10 to 24. | Tata Iron & Steel Co., Ltd., Tatanagar. |
| II. Bars— | | |
| (1) Rounds and squares. | Free cutting hot rolled bars (1) EN-32 case hardening and (2) Non-case hardening conforming to American SAE 1112 but pickled if possible to have a smooth surface and perfect roundness. | |
| | Sizes :—From 1/2" to 1-5/8". | Do. |
| (2) .. | Below 1/2" .. | Indian Steel & Wire Products Ltd., Tatanagar. |
| III. Wires .. | M. S. low carbon wire from 0.135" to 0.349" with tolerance of — 0.002. | Indian Steel & Wire Products Ltd., Tatanagar. |
| IV. Die steel .. | | (i) Tata Iron & Steel Co., Ltd., Tatanagar. (ii) Mysore Iron and Steel Works, Ltd., Bhadravati. |



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